UNIVERSITY OF SASKATCHEWAN AND FEDERATED COLLEGES

NON-ACADEMIC PENSION PLAN

FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

SASKATCHEWAN

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AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits, accrued pension benefits and surplus of the University of Saskatchewan and Federated Colleges Non-Academic Pension Plan as of December 31, 2007 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and surplus of the Plan as at December 31, 2007 and the changes in the net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
April 30, 2008

Fred Wendel, CMA, CA
Provincial Auditor

UNIVERSITY OF SASKATCHEWAN AND FEDERATED COLLEGES
NON-ACADEMIC PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND SURPLUS
As at December 31

Statement 1

	2007	2006
Assets		
Investments (Note 3):		
Short term	$ 5,663,355	$ 6,196,178
Bonds	48,673,859	63,706,057
Equities	54,368,009	90,336,793
Pooled funds	131,321,954	93,243,233
	240,027,177	253,482,261
Receivables:		
Employee contributions	205,047	200,024
Employer contributions	205,047	200,024
Accrued investment income	553,004	768,932
Foreign exchange contract	1,104,950	---
Investment securities sold	---	218,387
	2,068,048	1,387,367
Cash	117,939	559,706
Total assets	242,213,164	255,429,334
Liabilities		
Accounts payable	1,381,423	872,389
Total liabilities	1,381,423	872,389
Net Assets Available for Benefits (Statement 2)	240,831,741	254,556,945
Accrued Pension Benefits (Statement 3)	202,591,600	194,154,000
Surplus	$ 38,240,141	$ 60,402,945

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN AND FEDERATED COLLEGES
NON-ACADEMIC PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For The Year Ended December 31

Statement 2

	2007	2006
Increase in Assets		
Investment income:		
Interest	$ 3,146,170	$ 3,338,459
Dividends - equities	1,501,169	1,735,983
Distributions - pooled funds	6,819,092	3.221,507
	11,466,431	8,295,949
Current period change in fair values of investments	(15,095,866)	20,579,024
Contributions:		
Employee	2,324,131	2,542,238
Employer	2,324,131	2,542,180
	4,648,262	5,084,418
Total increase in assets	1,018,827	33,959,391
Decrease in Assets		
Plan expenses (Note 5)	811,823	664,838
Pension benefits paid	7,066,877	6,781,814
Refunds and transfers	6,865,331	4,748,105
Total decrease in assets	14,744,031	12,194,757
Increase (decrease) in net assets	(13,725,204)	21,764,634
Net assets available for benefits at beginning of year	254,556,945	232,792,311
Net assets available for benefits at end of year (to Statement 1)	$ 240,831,741	$ 254,556,945

(See accompanying notes)

UNIVERSITY OF SASKATCHEWAN AND FEDERATED COLLEGES
NON-ACADEMIC PENSION PLAN

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
For the Year Ended December 31

Statement 3

	2007 (Note 6)	2006 (Note 6)
Accrued Pension Benefits, beginning of year	$ 194,154,000	$ 173,916,800
Increase in Accrued Pension Benefits:		
Interest on accrued benefits	13,192,300	12,328,200
Benefits accrued	8,253,400	7,966,000
Changes in assumptions	297,300	6,868,600
Experience loss	626,800	4,604,300
	22,369,800	31,767,100
Decrease in Accrued Pension Benefits:		
Benefits paid	13,932,200	11,529,900
	13,932,200	11,529,900
Accrued Pension Benefits, end of year (to Statement 1)	$ 202,591,600	$ 194,154,000

(See accompanying notes)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

1. Description of the Plan

The following description of the University of Saskatchewan and Federated Colleges Non-Academic Pension Plan (Plan) is a summary only. For more complete information, reference should be made to the Plan agreement.

a) General

The Plan is a contributory defined benefit pension plan open to all Non-Academic employees of the University of Saskatchewan who are employed on a permanent full time, seasonal full time or permanent part time basis. Participation in the plan is compulsory after completing one year of service.

b) Administration

The Fringe Benefits Committee, composed by an equal number of appointees of the Board of Governors and the University of Saskatchewan Employees Union, administers the plan. The Committee provides recommendations to the Board of Governors in matters of Plan amendments and also maintains liaison with all those concerned with the operations of the Plan, including the Board of Governors, the trustee, the investment advisors, the actuary and the members of the Plan.

c) Retirement Benefits

The normal retirement date of a member is the first day of the month immediately following their 65th birthday. The annual amount of pension is determined as 2% of the member's best four years average pensionable salary multiplied by the member's service.

The above is a normal form of pension which provides for monthly payments for life with a minimum of 120 monthly payments being guaranteed.

d) Disability Retirement Benefits

The annual amount of pension is determined by applying the regular retirement benefit formula. Section 4.01(2) of the Plan provides that during a period of disability the member will be deemed to have received earnings at the member's full normal rate of pay.

e) Termination Benefits

A member becomes locked-in upon completion of two years of continuous service.

A member who terminates employment with the University prior to being locked-in is entitled to an amount equal to their accumulated contributions with interest.

Upon termination of employment after achieving locked-in status a member may elect:

i) to receive a deferred retirement benefit; or

ii) a locked-in transfer equal to the greater of:

    a) the commuted value of the member's accrued pension; or

    b) two times the member's required contributions with interest.

iii) to receive a partial cash refund of 50% of their accumulated contributions with interest to December 31, 1993, in which case the member's deferred retirement benefit or transfer amount will be reduced accordingly.

f) Death Benefits

The beneficiary of an employee who dies before retirement will be entitled to receive the greater of a refund of two times the required contributions made by the member with interest or the commuted value of the retirement benefit accrued by the employee to date of death.

For an employee who is deceased after retirement, the surviving beneficiary will be entitled to receive the form of pension elected by the member at the member's retirement date.

g) Plan Improvements

Section 15 of the Plan makes provision for the use of any actuarial surplus to be applied firstly to the declaration of bonus pensions to existing pensioners, with any remaining surplus to be used to improve the benefits of members in the Plan.

h) Required Contributions

In accordance with the terms of the Pension Plan Agreement members are required to contribute 4.92% of regular earnings. Effective May 1, 2008 the required contribution will increase to 6% of regular earnings and 6.5% of regular earnings effective May 1, 2009.

i) Funding Policy

The Pension Plan Agreement requires the University to contribute an amount equal to at least the member's required contributions.

The most recent actuarial valuation for funding purposes disclosed an actuarial surplus. It has been determined that the University's future service cost is to be maintained at the level set in the plan to the next valuation. The present rate of contribution is considered adequate to fund the future service benefits.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered significant.

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the plan or the benefit security of individual plan members.

b) Investments

Short-term investments are recorded at cost which approximates market value.

Investments in bonds, debentures and equities are recorded at market values which are determined by reference to closing year end sales prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Investment transactions are recorded on the trade date. Interest income is accrued monthly and dividend income is recognized on the record date.

Units held in pooled funds are valued at the closing sales prices of the underlying securities and are reported by the principal securities exchange on which the underlying securities are traded.

Investments denominated in foreign currency are translated at the exchange rate in effect at year end. Investments and realized gains and/or losses are translated at the exchange rate in effect at the transaction date. Unrealized gains and losses resulting from exchange differences are included in the determination of the current period change in fair value of investments.

c) Recent Accounting Pronouncements

Effective January 1, 2008, the Plan will be required to adopt the Canadian Institute of Chartered Accountants (CICA) handbook sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Plan is exposed, and how the risks are managed by the Plan. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. The Plan does not expect the adoption of these new standards to have a material impact on its financial statements.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as money market securities, bonds, Canadian and foreign equities and pooled funds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates. The Plan manages interest rate risk by investing in bonds and debentures with varying years to maturity.

b) Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service, Standard and Poor's, Moody's Investor Services and Fitch Ratings.

c) Foreign Currency Risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against these foreign currencies results in a

positive or negative effect on the fair value of investments. The Plan manages the foreign currency risk by limiting the Plan's holdings of foreign investments and by diversifying the investment portfolio by country.

d) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Procedures.

Short-term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with an effective interest rate of 3.79% - 4.0% (2006 1.05% - 4.17%) and a term to maturity of 365 days or less. The Plan's investment policy states that investments must meet a minimum investment standard of "R1", as rated by a recognized credit rating service.

Bonds

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated bonds cannot exceed 15% of the market value of the bond portfolio.

2007

Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Current Yield
Under 5	$ 4,620,684	640,608	8,158,695	13,419,987	3.60% - 9.11%
5 – 10	1,718,898	3,714,974	8,890,859	14,324,731	4.00% - 7.74%
Over 10	3,941,651	11,924,590	5,062,900	20,929,141	4.57% - 6.94%
Market Value	$10,281,233	16,280,172	22,112,454	$48,673,859	

2006

Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Current Yield
Under 5	$ 9,942,867	2,961,479	6,076,911	18,981,257	3.59% - 8.66%
5 – 10	2,527,531	4,237,388	9,956,173	16,721,092	4.03% - 7.28%
Over 10	10,398,867	11,175,623	6,429,218	28,003,708	4.04% - 5.81%
Market Value	$22,869,265	18,374,490	22,462,302	$63,706,057	

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's investment policy allows no one holding to represent more than 12% of the market value of the equity portfolio and no one holding to represent more than 10% of the common stock in any corporation. The average dividend rate is 2.1% (2006– 1.9%).

	Market Value	
	2007	2006
Canadian	$40,187,073	$74,642,865
Foreign	14,180,936	15,693,928
	$ 54,368,009	$ 90,336,793

Pooled Funds

The Plan holds units in pooled funds which have no fixed interest rate and its returns are based on the success of the manager. Investment in a pooled fund should not exceed 10% of the market value of the pooled fund. The Plan's pooled Canadian funds are comprised of the following:

	Market Value	
	2007	2006
Phillips, Hager & North (PH & N) Investment Grade Corporate Bond Trust	$25,216,173	$18,958,443
PH & N Mortgage Pension Trust Fund	5,503,922	5,210,630
Jarislowsky Fraser Special Equity Fund	1,467,705	2,504,270
PH & N Small Float Fund	2,566,895	3,646,503
IShares S&P/TSX 60 Index Fund	543,102	37,250
PH & N U.S. Pooled Pension Fund	22,778,203	17,322,275
PH & N Overseas Equity Pension Trust	23,139,254	19,239,135
Sceptre Foreign Equity Fund	23,458,811	9,482,994
Jarislowsky Fraser International Equity Fund	16,995,659	16,841,733
Greystone Real Estate Fund	9,652,230	---
	$131,321,954	$93,243,233

Investment Performance

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term investment performance objectives set by the Plan. It is these long-term investment performance objectives that are used

to assess the performance of the investment managers. The primary long-term investment performance objective for the entire portfolio is to out-perform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

As of December 31, 2007	1 year	4 year
Plan Return	-1.5%	8.1%
Plan Objective	0.2%	8.3%

The annual returns are before deducting investment expenses.

The Plan's objective for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the S&P/TSX Capped Composite Index, Standard & Poor's 500 U.S. Stock Index, Morgan Stanley Europe, Australia and Far East Index, DEX Universe Bond Index and 91-Day Canadian Treasury Bills.

4. Fair Value

Receivables and accounts payables are non-interest bearing and are due or payable within the next year. Due to their immediate or short-term maturity, the fair value of these financial instruments approximates carrying value.

Fair values of investments are disclosed in note 3.

The fair value of accrued pension benefits cannot be readily determined, however information about the estimated provision is provided in note 6.

5. Plan Expenses

	2007		2006
	Budget	Actual	Actual
Investment management fees	$461,600	$518,563	$443,681
Trustee fees	98,000	109,028	93,855
Administration fees	28,100	23,930	21,036
Actuarial and consulting services	127,900	160,302	106,266
Total	$715,600	$811,823	$664,838

6. Accrued Pension Benefits

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions approved by the Fringe Benefit Committee.

An actuarial valuation of the Plan was performed by Aon Consulting Inc., a firm of consulting actuaries, as at December 31, 2006 and extrapolated to December 31, 2007.

Significant long-term actuarial assumptions used in the valuation were:

	2007	2006
Interest rate	6.75%	6.75%
Inflation rate	3.0%	3.0%
Salary escalation rate	3.5%	3.5%
Post-retirement indexing	1.0%	1.0%
Mortality table	UP 94 projected to 2008	UP 94 projected to 2007

The actual rates may vary significantly from the long-term assumptions used. The following illustrates the effect of changing certain assumptions from assumed rates of: interest 6.75% and inflation rate of 3.0% and salary 3.5%.

Assumption	Change Made	Change in Accrued Liability	Percentage Change in Accrued Liability
Interest rate	Plus 1%	$(24,405,100)	(12.0%)
	Minus 1%	31,321,500	15.5%
Inflation	Plus 1%	(18,153,200)	(9.0%)
	Minus 1%	21,656,300	10.7%
Salary	Plus 1%	8,451,000	4.2%
	Minus 1%	(7,464,000)	(3.7%)

During the year, the mortality assumption was updated. This has resulted in an increase to the accrued pension benefits of $297,300.

To help ensure the on-going financial viability of the Plan, the Plan Agreement under section 15.01, establishes a Contingency Reserve in the Pension Fund from surpluses generated. The target level of the Contingency Reserve is equal to 10% of the accrued liabilities as determined by the Actuary.

The assets, including any potential surplus in the Plan, are for the benefit of the members and their beneficiaries. There is no provision that allows the withdrawal of the surplus by the University.

7. Related Parties

The Plan is related to the University of Saskatchewan and other pension plans sponsored by the University of Saskatchewan.

The Plan pays for plan expenses, including certain administration fees and miscellaneous expenses, which the University of Saskatchewan incurs and charges the Plan. The expenses charged by the University of Saskatchewan in 2007 were $23,929 (2006 - $21,036).

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms. Other transactions are disclosed separately in these financial statements.

8. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.